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ABSTRACT

This working paper is one in a series of policy statements on the relationship between liberal education and careers in business; it covers a seminar discussing ethics and the teaching of morality. Papers given by seven professionals in the corporate and academic world are included. After an introduction to the seminar and a statement on corporate ethics by Frank Staton, (President Emeritus, CBS Inc. and Chairman, Corporate Council on the Liberal Arts), other topics were covered: the importance of teaching values at the undergraduate level (John Chandler, President, Association of American Colleges), personal experiences teaching ethics (Joanne Ciulla, Visiting Scholar, The Wharton School of the University of Pennsylvania and author of "Honest Work"), the need for teaching ethics and obedience to the law in settings outside the classroom (Richard Manoff, President of Manoff International Inc., Director of the Thomas J. Lipton Company, and Chairman and CEO of Richard K. Manoff Inc.), personal obligation to ethical behavior (Ezra Bowen, Senior Writer, "Time Magazine"), description of the Ethics Resource Center in the District of Columbia (Gary Edwards, Executive Director, Ethics Resource Center), and how and where to teach ethics (J. Gregory Dees, Assistant Professor of Management, Yale University School of Organization and Management). (SM)

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WORKING PAPER 2

HE 021 061

CORPORATE COUNCIL ON THE LIBERAL ARTS, established in 1984, with support from CBS Inc. has as a primary goal a heightened understanding of the relationship between liberal arts education and effective management and leadership in the corporate world. A carefully planned program of research, workshops, conferences, and publications constitutes the work of the Council. The Corporate Council is affiliated with the Center for Advanced Study in Education of the Graduate Center of the City University of New York.

A DISCOURSE ON ETHICS AND THE CORPORATE WORKPLACE:

CAN ETHICS BE TAUGHT?

Working Papers/2
October 1987

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Are we living at a time in which the old morality no longer applies? Are we in need of a new ethic for the intricacies of the corporation? We observe that

> *"Things fall apart; the center cannot hold;*
> *Mere anarchy is loosed upon the world,"*

and offer courses on ethics to engineers and morals to MBAs.

Clearly, the problem is not new. In 1907 Theodore Roosevelt, in the introduction to a book on business ethics, wrote: "The worst evils we have to combat have inevitably evolved along with the evolution of society itself, and...the perspective of conduct must change from age to age."

While morals are esteemed qualities treasured by tradition and the social custom of the community, often, the qualities that society values seem unclear to members of the community. Goals are in conflict, or the community is so diverse and apparently segmented that consensus fails.

The traditional qualities we value may be unclear or in conflict for a variety of reasons. We have never, after all, clearly sorted out the two imperatives on which our social/economic life as individuals and as a nation depend: goodness and success. In spite of our considerable ethnic and cultural diversity, we have continued to hold on to the idea that, in one way or another, success alone is a sign of election, of being on the right track.

Then there is the Raskolnikov Complex, the idea that laws are okay for ordinary folk, but that because I have more brains/insight/ideals than most, they need not apply to me. Whether one is murdering one's rich old lady neighbor, withholding information from the Congress, or trading with insider knowledge, the notion that one is above the law is, at least with hindsight, immoral. We observe the age in which we live and must ask, as did David Hume in 1752, "What must become of the world if such practices prevail? How could society subsist under such disorders?"

Can we teach morality to adult citizens? To middle management? If so, how best to go about it? As part of its continuing concern with these questions, the Corporate Council on the Liberal Arts in affiliation with the Center for Advanced Study in Education of the Graduate School and University Center of the City University of New York, sponsored a seminar to explore these questions in greater detail. The seminar was held at the New York Public Library at 42nd Street and Fifth Avenue, in June 1987, in an attempt to carry the discussion forward.

Participating were Ezra Bowen, Senior Writer for *Time Magazine*; Joanne B. Ciulla, Visiting Scholar at the Wharton School of the University of Pennsylvania; J. Gregory Dees, Assistant Professor of Management at the Yale University School of Organization and Management; Garry Edwards, Executive Director of the Ethics Resource Center in Washington, D.C.; and Richard K. Manoff, President of Manoff International Inc. The moderator was John Chandler, President of the Association of American Colleges. Frank Stanton, President Emeritus of CBS Inc. and Chairman of the Corporate Council on the Liberal Arts, made the opening statement.

Barbara Martinsons
Editorial Consultant
to the Corporate Council

Frank Stanton: Good afternoon, ladies and gentlemen. My name is Frank Stanton, and I serve as Chairman of the Corporate Council on the Liberal Arts. The Council is sponsoring this meeting with the Center for Advanced Study in Education of the Graduate Center of the City University of New York. Dr. Harold Prochansky, President of the Graduate Center, joins me in welcoming you today to this distinguished and appropriate library setting, to discuss a topic which has personal and professional implications for all of us, regardless of vocation or ideology.

Across this room, opposite this podium, and above that fireplace, is carved a statement of Thomas Jefferson. He says, "I look to the diffusion of light and education as the resources most to be relied on for ameliorating the condition, promoting the virtue, and advancing the happiness of man."

Not since the peak of Watergate and its scandals have Americans expressed such dismay over public morality and private business practices. In a recent *U.S. News* poll, 71 percent say that they are dissatisfied with honesty and standards of behavior today; this is almost equal to the 72 percent who were dissatisfied in 1973. Disclosures of hypocrisy and moral laxity infect leadership from Washington to Wall Street, taint our collective morale, and, I believe, taint our ability to project our sense of purpose as a nation and as a geopolitical role model.

This is a critical time, when interactive ethical standards, existing in the press, religious, educational, business and governmental institutions need to be reexamined, and, perhaps, redefined. It follows then, that the theme for our meeting is "Ethics and the Corporate Workplace: Can an Ethical Focus Be Instilled through Education?"

The Corporate Council is acutely aware of the relevance of a liberal arts and science background to achieving an ethical paradigm; it provides examples which men and women who are entering the corporate workplace can utilize as a reservoir of information when making personal and professional choices and decisions, or voting in elections

which will have lasting impact on their lives, business organizations, and on society as a whole. The Council is dedicated to providing forums where informed debate on substantive issues of higher education can be pursued forthrightly.

John Chandler: Let me start with a word about how I came to be moderator of this panel. A few months ago, I was in a conversation next door at the City University Graduate Center, in which we were discussing the plans for this seminar, and I made a confession that I had, at one time, taught ethics to undergraduates. I confessed that I had reached a low point when three of my students were in prison--three of my former students--one having been convicted of murdering his wife, another who was caught up in the Watergate scandals, and a third who, in a fit of moral ardor, burned down an ROTC building in Honolulu. It was at about that point, having failed as a teacher, that I became a college president.

Now I think, after looking upon my own record as a professor of ethics, I also began to probe more deeply Socrates' great question, "Can virtue be taught?" In reflecting upon this question, it is clear that we have to distinguish between teaching and learning. Surely, morality and ethics can be learned, and I suspect most of us would agree that that learning is done primarily, and certainly must begin, in the home, in the very early stages of one's life. Whether morality can be taught discursively arouses some skepticism in all of us, but, certainly, there are institutional arrangements by which values can be learned. And there are various studies of undergraduate education, which is my primary concern, which show this.

If one goes back to Philip Jacobs' study, "Changing Values in College," published 30 years ago, in 1957, his conclusion was, yes, values are taught in college. He came to a rather discouraging conclusion, however: that seniors are more homogeneous than freshmen, and that although they learn values, he questioned whether they were the right values. That is, they learned to become conformists; they got a lot of the rough edges of rebellion rubbed off. More recently, in Ernest Boyers' study, "College," which is a comprehensive look at undergraduate education, there are some very strong conclusions and statements pointing to the great influence in the shaping of character and values, on the part particularly of residential institutions, where there is a sense of community and where there is a distinctive style, and a particular ethical tradition. There are some other studies, going back 10 or 12 years, which indicate that faculty members have a great deal of influence, not so much through courses they teach as through examples they set; the conclu-

sions are interesting. They point out that faculty members who have great influence are not necessarily those who are close in age to their students, but are those who have a very distinctive approach to issues, who take public stands.

Now I continue to believe that, at the undergraduate level, a good liberal arts education is the best education in values because it sets a context in which individuals may reflect upon their behavior, reflect upon their dilemmas, reflect upon the choices that are before them. Beginning in the late 1960s and early 1970s, there began to be a very great decline in the liberal arts; a decline that was not noted or commented upon for some time until after it had become quite advanced. If one goes back to about 1970, less than 20 years ago, one discovers that two-thirds of the undergraduate enrollments were in arts and sciences programs. Today only one-third of the undergraduate enrollments are in arts and sciences programs.

There have been calamitous declines in the study of history and philosophy. These declines are not limited to the humanities and social sciences; dramatic declines have occurred, as well, in the sciences and mathematics, which are also liberal arts disciplines. The mentality of vocationalism is pervasive, and the pressures that are put upon young people as they make choices about where to go to college, and what to study in college, are considerable. Parents often express great anxiety about the capacity of their sons and daughters to get jobs; and many young people are robbing themselves. They make short-sighted choices by choosing courses and programs of study which they believe will assist them in getting "that first job." This attitude toward the college experience is causing a narrowing of focus, and it certainly is neglectful of some of the aims of the undergraduate experience, which used to be commonly assumed, such as training in civic responsibility and education in values.

I think we're beginning to see something of a swing of the pendulum in the other direction, and, certainly, that pendulum swing is being assisted by the very welcome help from the Corporate Council on the Liberal Arts. So, I believe that a great deal can be accomplished at the undergraduate level, as well as at the graduate level, and, certainly, the emphasis today on teaching ethics in professional schools and in graduate schools is a welcome part of the overall attention that is being received in these important areas.

Joanne Ciulla: I was supposed to talk a little bit about what it is actually like to teach ethics. But I'd like to start, first, by talking about how I got interested in the subject and how I see the field of business ethics.

I've been teaching ethics for 12 years now. And when I began I taught at a school called LaSalle University, in Philadelphia. The first class I had, as an ethics teacher, was a rather interesting class. It was an evening course, I was the youngest person in the room, and three of my students were wearing guns. Now, it's very frightening to teach people wearing guns. They were Philadelphia policemen, and Frank Rizzo was Mayor at the time. I immediately knew that I was going to have to make some revisions in the course material, because, somehow, when you're fresh out of graduate school, you tend to teach a graduate course no matter what level it's at. I decided that they really weren't going to be interested in the fine points of the logical properties of ethical statements, and that I was going to have to start teaching applied ethics. So, I revamped the course, and had a very rich experience of teaching people from a variety of occupations: from policemen to nurses, to boilermakers, to grandmothers, and I must say that the one big secret about teaching is that you learn an awful lot from your students.

As time went on, we decided that, since students really hated to take philosophy courses, we had to revamp the curriculum to make philosophy courses more interesting and meaningful to them; so, I began working on the development of a course called The Philosophy of Work and Culture. And I found that it was sort of the spoonful of sugar to make a lot of traditional philosophy go down. I could have them read Aristotle, I could have them read Marx, Locke, Mill, Adam Smith, and I could have them do this reading in the context of things that they experienced at work. For the next five years, I taught this course, and I wrote a dissertation on work--on how ethical values become associated with the activity of work.

Out of that experience, I then went off to the Harvard Business School, where I was a fellow in business and ethics, and there I started looking at work from the perspective of management. After five years of having a lot of more or less middle-class students, people who wanted to be managers, people who were single parents, I had a feeling for work from the perspective of the worker, but not much of a feeling for work from the perspective of management. Needless to say, it was an eye-opener that what management often assumes about its employees is not what employees assume about management, or what they feel about their jobs. So, at Harvard, I began to study management, learning about business. I wrote some cases; I went off to corporations, followed people around, asked them a lot of questions, and I also started to trace the roots of the history of business ethics.

The first thing that you have to realize, when you think about this subject, is that there are an awful lot of people running around telling

you it is brand new. This isn't true; it is quite deeply embedded in Western culture. Look at the debate over the legitimacy of the sophists in ancient Greece; you'll see that sophists, in a sense, were like business professors--they were teaching people practical things about how to get elected or how to be successful in society. That's where this question "can ethics be taught?" arose.

Now, when Plato raised this question, which people are constantly raising, I don't think that Socrates ever really doubted that ethics could be taught. I think the question was not "can ethics be taught?" but "how do you teach ethics?" And if you have read any of Plato, of course, you know that Socrates taught it through a series of questions and answers, and one of the things that he constantly revealed to people was that they did not really know some of the things that they thought they knew.

And the one thing that, I think, liberal arts education in general should teach you is a certain humility towards knowledge; that it is something you should approach in a humble way; there's very little knowledge that's certain in the world and you may not really know some of the things you thought you knew. It might also be one of the shortcomings of business schools that very often students leave with a certain arrogance towards knowledge; that they've learned all their stuff, and they're ready to go out and conquer the world. That is not necessarily the case.

While at Harvard I also started teaching a course in business policy at Boston University. There, I decided to really talk about the ethical aspects of formulating policies within the context of a traditional business course, where you're learning things like strategies and business-government relations. I had a rather unwilling class. I seem to have always fallen into a pattern of teaching students who don't want to take a course I'm teaching. Nobody liked to take this course but they had to take it, so you had to convince them that it was an interesting course. And I learned a couple of things from my students, one of which was that if you told them that you were teaching them ethics, they would have been very resistant. But if you said, "Well, okay, consider this problem, we're going to have to look at all of these different angles," well, then, that was just part of how you formulate a policy and had nothing to do with Ethics with a capital "E." But this wasn't a full-blown business course, and it wasn't until I arrived at The Wharton School and began teaching business ethics to MBAs that I was really confronted with the problem of how I was going to teach a course.

This past year has been a particularly exciting year for us at Wharton. We have been getting a lot of attention from the media. We've had reporters in our classroom; my students and I have been on

television; and the newspapers have been very good at giving us things to talk about. But the thing that I've found most troublesome over the past year or so (and part of it is a sense of being in an absurd position) is that there's such incredible cynicism towards this subject. You can be at a cocktail party or at a conference and people ask you what you do. You tell them that you teach business ethics, and there are a couple of responses. First, some people will tell a joke. And if they don't tell a joke, then they just stand there. And there's a certain group of people who will stand there and really think, "What's that word, oxy...oxy..." They don't quite come up with it.

I think what I find particularly annoying about this (and was very disappointed with Felix Rohatyn's piece in the *Times*) is that a lot of smart people are tremendously ignorant on this subject; first of all, about what ethics is, and second, what it means to teach ethics. They kind of set us up for the cheap shot, and the cheap shot is the comment that, "Oh, it's not going to make students good," which is what Rohatyn says in his piece. Well, none of us has ever claimed to make students good. And I think, as a philosopher, that I have a different view of the subject than some of the people with social science backgrounds, who often teach in business schools, some of whom try to teach this subject. Nobody assumes we're going to make everybody into saints. And we don't give money-back guarantees; we don't put stamps on their foreheads that they are now ethical; we don't do any of those things. Any philosopher who has taught ethics has never even thought that that is what he or she was doing.

So the question is, what *do* we do? Now we do a couple of things that are extremely important. First of all, I don't think a good ethics course is complete, in business, without an awful lot of history in it. So, my view on business ethics is that it is much broader than a narrow area of moral philosophy. It is political economy; political economy is an extremely important part of business ethics. Your understanding of economics and of history is an extremely important part.

Some of the most nagging difficulties that have, I think, created a lot of the problems today can be generated from supply-side economics: how you understand economics; how you understand what is in the realm of a business decision. Over the years, there's been a tremendous amount of preaching that business is some sort of objective field, and that once you get into business, there are business decisions that are based on business reasons that really don't have much to do with other things, such as the well-being of society, your own personal development, or what kind of person you're becoming; these factors are all considered to be irrelevant, and part of this approach is the fault of business

schools.

When I was teaching my course, towards the end of this year, we got to a discussion of three articles in *The Harvard Business Review*, one by T. Boone Pickens, another by Mike Jensen, and a third by Warren Law, on whether or not take-overs were a good thing. And a very amazing thing happened. It was the kind of day when you feel like throwing in the towel and stopping teaching. Here, I'd gone through a whole semester of talking about how you treat your employees and the responsibilities of corporations to communities, when we got to the issue of take-overs--and over half of my students are finance majors; Wharton is a very quantitatively-oriented school--it was almost as if they shut off a part of their brains. I got these incredible comments from very bright students about how if the stock price of a company is undervalued, it means that the company is mismanaged.

Now this is not a very intelligent comment as it stands. I mean, there are reasons why that comment might be true, but if you've just had all this stuff about management, suddenly they know what mismanagement is--it's the price of the stock and has nothing to do with anything else that they've studied. And these are second year students! It was an amazing discussion. Half of the class, who were not finance majors, were kind of sitting there helplessly wondering, "Well, how do you go at this argument?" Because the finance majors had really learned their finance well, and they had learned economics well, and they understood the market well. The other students did not know how to attack these arguments. They knew they were wrong, but they were sitting there, frustrated, and it was a very strange class. So for the next assignment, I asked that the students who had argued strenuously for the point of view that undervalued stock means mismanagement had to come up with arguments against it, and the students who thought the point of view was wrong had to come up with arguments for it, and we would have a formal debate. We finally worked the issue out in an interesting way. As the debate progressed the students on both sides began to discover that there was a difference in the two arguments that had nothing to do with the facts being argued. This was that the finance majors, those arguing from a strict financial approach were talking as if a business is a closed system in which certain assumptions, certain equations, are *always* true. In this system the method is deductive and, like mathematics, which is another closed system, the good arguments here sound tight and elegant. The finance majors had accepted as a given, as a flat equation, that undervalued stock price equals mismanagement.

Those arguing against this position, assuming an open-ended sys-

tem that could be approached inductively, appreciated the elegance of their opponents' arguments, but pointed out that a business is an empirical operation filled in reality with day-to-day changes and dependent on a series of human variables. The reality of a business is that there may be cases in which such an equation--undervalued stock price equals mismanagement--simply does not hold. Further, that in the empirical reality of the daily running of a business there are a variety of factors that are hard to calibrate, that don't fit neatly into a mathematical mold. And that to ignore these is *not* good management.

The debating process showed everyone that some of the students did not really know some of the things that they thought they knew. It also indicated that students "knew" contradictory things. The debate made people look at their assumptions, at what they accepted as "givens." The students were all graduate business students, but they had started from very different places. The debate elucidated these differences, and made people reexamine their underlying premises about business, about people, even about themselves.

What's important is that this sort of issue is one of the most stubborn issues in business ethics. And it's the kind of issue that can be corrected. It's not this hopeless "we start at the beginning and we try to make these kids into saints." It's the question, "How are you teaching them these things? What kind of attitude are you giving them towards knowledge?"

The other set of issues that comes in here is, some people say, "Well, let's have our finance teachers teach them ethics." Now, there's a certain logical problem here which is that no one would want me to teach finance. I can guarantee you that no one would want me to teach finance. And yet there are two assumptions that college administrators often make. One assumption is that everyone can teach ethics, and everyone should teach ethics, so we're going to get our entire faculty to put some ethics into their courses. The second assumption is that ethics is not a discrete discipline with its own methods and content; but, of course, it is.

Listen to the semantics of it: "putting ethics in," "injecting ethics"; it's a very seamy kind of terminology. And everyone can't teach ethics. It is a well-defined subject matter; you study it for years if you're a philosopher; it's not something you make up on the spot; it's not something you make up by writing papers about South Africa and insider trading; it is a field; there are certain approaches to problems and there is content to it.

Okay: if you take that first assumption, then you don't need people to teach business ethics. And the second assumption implies that if you

have untrained people teach a class in business ethics, ethics is not the primary focus of what is being taught. You're putting it to the side; it's something extra; people won't really think that it is important; they won't really think it's part of the subject matter of the course.

The role that ethics ought to play in the curriculum is that it ought to be a place where students get a chance to step back, reflect, and put into context everything they've learned. So the way I've redesigned Wharton's ethics course is along the lines of the curriculum itself. I have a section of the course on marketing, a section on finance, a section on employees, organizational behavior and human resource management, and a section on unions. What we're trying to do now is to pattern the curriculum, and have second year students step back and think critically about what they've learned.

Now, what's the point of this? You know, this could just make them too philosophical when we send them out into the corporate world. Do you want all these questioning MBA students? You should want these questioning MBA students, because white-collar crime is a reality.

We did a very interesting thing with white-collar crime this semester. We brought in a white-collar criminal and his attorney to talk to our students; a nice, affluent MBA--former MBA--39 years old, three children, lived on the Mainline, very articulate, who is facing up to 14 years in jail for questionable payments in the construction industry. It's a very good thing to do for your students, to have them talk to this person. And to find out why this person did these things. I mean, part of the account--I don't want to give away who the person is--involved suitcases of money, all sort of kickbacks, and pay-offs, and my students kept asking this gentleman, "Well, what were you thinking about when you did this?" And he said, "Well, they gave us all $75,000 in suitcases. And we paid taxes on it. And then, what was left over was given to some of the people with whom they were contracting." And my students found it very hard to believe that someone wouldn't raise a few questions. What was interesting about this fellow, as he talked about the various little practices, is that, a lot of times, people kind of get sucked into these things. They don't ask the questions; they're not sensitive to them.

I mean, most of the white-collar crime is not the big stuff you hear about; most of it does involve this kind of kickback stuff that goes on all the time. And students are just not sensitive to it; they just haven't asked the questions; they haven't thought, they haven't had the time, and most people only think about ethical issues when they're in the frying pan--they haven't had the time to sit back and say, "Well, what do I think about this thing, and how would I feel working under this kind of

situation for a long period of time?"

So, part of what business ethics does is help people to reflect. Because my perspective, really, comes from the philosophy of work, I also want them to think about their own careers, and where they stand in terms of the notion of progress. A lot of the publicized crimes have something to do with people having a very unbalanced notion of what a "good life" is; and the concept of a good life is something that philosophers have been working on for a long time.

The book that I am currently writing, called "Honest Work," deals with the meaning of work in our time, and the kinds of values people associate with work. And one of the things that I suggest in the book is that perhaps we have gotten an out-of-kilter notion of the value of your profession and your career in terms of your life, and that, perhaps, the workplace cannot really supply all of the things that you really need to lead a good life. Maybe we need to step back and look at all these things philosophically.

So, in short, that's what I think ethics courses do, and I have asked my students what they've learned; usually the common response is, "Well, I've thought about things I would never have thought about before." It's not a lot; it's not a guarantee, but I think it's a very useful experience, and it's a very useful exercise, and I hope that we will continue to get support in this area.

Richard Manoff: The question before us, as I understand it, is can ethical values be taught to students? It seems to me that they can, and that nobody can disagree with that. But the statement suggests that an utter reliance on the education process is possible; it is possible to instill ethical values in our society and our culture, purely through education. And I have big problems with that.

I have problems with focusing strictly on the individual obligation to ethical behavior, because the question that arises in my mind is whether or not such behavior by individuals, either individually or collectively, is possible in an environment that, by its very nature and structure, is inhospitable to ethical behavior.

And in my time, particularly in recent years, when I've had a lot of international exposure to some of our structural values, I've been led to believe that we have got to start on both fronts at the same time, somehow; that, by all means, we have to find the path again to instilling ethical values in our curricula, and finding out what's been wrong with the way we've been teaching ethical values. Why hasn't it had a reach and an impact?

I'd like to start by recounting some experiences I've had. I'd like to

take, for example, the farmer I met one day on his way to work in the fields outside Amritza, in the Punjab, in India. Now, a traditional noonday repast for a farmer would be his chapati, which is a sort of a flat wheat bread, and curd, which is like yogurt, and that's a very nutritional combination. But this man carried instead a pot of tea, a package of commercial biscuits, and a radio. Economically, he was on the rise, thanks to the green revolution, but nutritionally, he was heading for trouble. The village in such countries is being sold new ideas from the city, but these can be damaging to the village life, as well as to the disadvantaged urban people.

Now *Advertising Age*, the prominent American journal of marketing, acknowledged that even when marketers venture into politically and economically less stable places, it is mainly to serve urban populations, leaving out people on the fringe. For such countries, it's a case of getting what they don't need, and needing what they can't get. A Duke University sociologist, for example, in his book on drug marketing practices in the Third World, referred to filariasis, malaria and dysentery as the three most prevalent diseases in India, and then declared that of the 15 leading pharmaceutical products in India, in terms of 1978 sales, not one was used in the treatment of those diseases. A counterpart situation in Ecuador is that of working class women giving up breast feeding in favor of store-bought milks, though they have neither the proper water to mix it with, the sterilized bottles to pour it into, the refrigeration to preserve it, or, in fact, the income to afford it. Sweetened condensed milk continues to be sold for infant feeding in the Third World in spite of a specific prohibition adopted at the World Health Assembly in 1981. Like our Punjabi farmer, people in these areas are seeking to satisfy their rising expectations with something new and better, and it's not surprising, therefore, that breast feeding is now in crisis around the world, as you may have heard.

In Nicaragua, ten years ago, there was widespread use of purgatives, *purgantes*, such as milk of magnesia, for a variety of complaints, none of which had anything to do with diarrhea. This was the result of over-zealous promotion of milk of magnesia for stomach and bowel illness and cramps. Now the irony in all of this is that there is nothing wrong with commercial purgatives or infant formula milks; they have a purpose. Nothing wrong with tea, biscuits, or laxative drugs, when used as directed for prescribed conditions. The problem is created by misdirected efforts that put them into the hands of the wrong consumers, for the wrong reasons. This is inevitable, when large companies are primarily marketing enterprises, and their new products are conceived out of positioning and advertising copy appeals, rather than significant con-

sumer benefits. Such over-zealous pursuit produces excesses antithetical to public health and welfare.

And when American models are exported, they have an impact on the whole world. These become structural impediments to ethical corporate behavior and, logically, to individual ethical decisions. I don't know how it's possible, when a corporation is launched on such a course, to instill ethical values very effectively. At the same time, I don't know how it's possible for corporations to remain unaffected by the absence of what I call "social ethical values" controlling the behavior and the conduct of society.

In the United States, an eleven-year study by the Food and Drug Administration determined that of seven key ingredients of over-the-counter drug products, only one-third were actually safe and effective. I have documentation for all of this if any of you are interested. Nor are all food ingredients safe or useful.

Marian Burros, a food writer for the *New York Times*, wonders how we ever got to the point "where we thought it essential to color food in order to sell it." And, then, she answered, "To make artificial foods look real--like Tang and Jello--and to make cheap substitutes look expensive: caramel coloring in bread to simulate whole-grain flour. And you bought some of it, thinking that you were getting the real thing. Yellow dye in cakes to simulate eggs." The results are far from frivolous. People have been led to believe that imitation ingredients in products are the nutritional equal of the real things. Tang advertises itself as containing "more vitamin C than orange juice," yet, says one authoritative nutrition publication, "It contains little else besides sugar and vitamin C."

The same publication also admonishes manufacturers of non-dairy creamers who "promote their products as a replacement for milk on cereal and fruit," and yet what's happening is that some parents give non-dairy creamer instead of milk to their children, not realizing that it has adverse health consequences. Four children in southern California developed kwashiorkor--a protein-calorie malnutrition disease (kwashiorkor is a Swahili word) from which children can die. They developed kwashiorkor after their physician prescribed a non-dairy creamer to treat milk protein sensitivity.

Food manufacturers have been responding to demands for health-related foods, calorie-reduced nutrition products, salt-free products and the like. But, in the enthusiasm for the new nutrition market, some have gone to extremes to exploit every slight nutrition claim in products, even though it had limited nutritional value. A Campbell's Soup Company campaign to the effect that "soup is good food" has been criticized

by the Center for Science in the Public Interest as "false, deceptive, and unsubstantiated." On the contrary, it has been pointed out that the excessive sodium content in this product increases the risk of high blood pressure.

Seven-Up, hardly a symbol of nutritious libation--I hope I'm not offending anybody here--sought to polish its image among soft drinks by launching one advertising campaign attacking colas for their caffeine content; it then followed with another attack on their artificial coloring and flavoring. Now, this may be clever competitive marketing, and I come out of the marketing field, so I know that it is, but it is hardly nutritionally enlightening to the consumer.

The Beef Industry Council, seeking to stem the decline in red meat consumption, promoted a theme that "Beef gives strength" and trumpeted the nutrient-richness of beef (that is, protein, phosphorous, niacin, vitamin B-12, iron, riboflavin, and zinc) to veil the fact that its high-fat, high-cholesterol disadvantages came at a time when nutritional authorities had urged a reduction in animal fat consumption.

In the Third World, marketing behavior dropped this finesse. Some multinationals have discovered that faulty goods, banned in their home markets, can be dumped in Third World countries. Thus the practice of dumping hazardous consumer goods, dangerous technologies, and toxic drugs. I don't know how many of you know about the Dalkon shield, an intrauterine device that was banned in this country, and continued to be distributed around the world, through U.S. aid programs. It may still be found around the world. And that's not the only item.

Now, I'm not suggesting that these are evil people or evil companies. There are certain forces that are at work in our business environment that are hard to stem once they're set forth. What's required is a new ethical belief, a new ethical zeal on the part of those who are responsible for this system, which, too often, is like an anonymous dictatorship. It's like the solar system. The stars are up there, and nobody can stop their motion. And you get the feeling, at times, that the system is out of control; that it's being run by an anonymous hand, and none of us is in a position to do much about it. We're not perpetrators; we're all the victims. But these are the facts.

All too often the world of information, the world of media messages from the U.S., dominates developing societies. And our exports are not limited to commercial products. More people all over the world have watched *Dallas* than are going to be hearing us today, even if you multiplied us a million times. For this program to be playing in Bangladesh is quite an inappropriate export on the part of the United

States. It is part of a structural problem that I'm referring to, one I'm not quite sure I know how to stop. But I don't believe that the ethical values that we're concerned about can be reified unless we are ready to do something about changing the behavior that results from such a system.

We're engaged, fundamentally, in an education process--in changing the behaviors of individuals. And yet we know that education has it limitations. I think, for example, the cigarette problem is such an example. We know that cigarette smoking is something that 30 percent of people are engaged in. We also know at this time that there's a certain hard core of cigarette users who simply find it impossible to quit under all kinds of urging. It cannot be that we endlessly pursue public education as a strategy for ending this scourge which is responsible for, or at least a major cause of, lung cancer, and which is responsible for 340,000 deaths every year.

Now, it seems to me that the fact that a certain product kills people is the underpinning for a very important ethical value. We're talking about the health of our people. We're talking about a deep, profound cultural value, the health of a nation. We're not talking about table manners. We're not talking about sensibilities. We're talking about truly ethical values. Health is the very heart of culture.

We're never going to be able to solve that problem and wipe it out simply though education. It's going to require the combined strategies of education and *law*. And fundamentally, this is a country that was established as a government of laws and not of men. There was a minimum of reliance on the ethical behavior of individuals.

But we have lost respect for law. I grew up at a time when government was something we revered. We've lost respect for government, due, I think, to those who perhaps deserved to lose our respect. There has to come a time when this respect must be revitalized; when laws are not something we hire lawyers and pay them exquisite sums to help us evade; when laws are something that we honor and respect and obey because we know that they represent the will of our nation and our people; and when laws encompass our ethical values, making them equivalently the burden of all. The problem with relying exclusively on individual ethical behavior is that it becomes a form of social philanthropy.

Ezra Bowen: Okay, I'm Ezra Bowen from *Time*. I'll begin very quickly by saying that you're going to get a little bit of the same from me. 'Cause I'm about the same age as this guy. And I have some of the same theories. I see the law as the pragmatic expression of a philosophy. And I therefore agree wholeheartedly with you, sir, about obedi-

ence to the law.

My ethical training was very, very different than Dr. Ciulla's, which seems to have had a voluntary quality and an intellectual quality to it. Mine was not at all voluntary. I come from one of those old-fashioned Philadelphia families. And on Sunday at 9:30 you went to Sunday school. From there at 11:00 to church. From there to Sunday dinner, coat and tie and keep your mouth shut. From there, 45 minutes of *Bible* reading with Gramma Drinker. Five days a week, 20 minutes of chapel at school. One hour of *Bible*. And if that didn't get the message across, my uncle Harry Drinker wrote the standard work on Legal Ethics for the American Bar Association, and he lived across the street. And boy, was he scary! He had eyebrows like Neanderthal Man and a brain like Einstein. He was always ahead of you. And to back him up, there was, out in the kitchen, Mary McClafferty, a deep-dish Catholic who knew what I was doing, even though the rest of the family didn't. And she'd say, "Izzy, you're a young spalpeen (rascal). Now, get next to yourself or I'll tell Dr. Drinker."

That was the basis of my early ethical training. And whether or not I always performed, I sure knew what the message was. That life came in two designer colors: black and white. And 55 or 60 years later I still believe that, from everything I've been through.

Now, I was also very lucky in terms of ethical training because nobody in my family was in business. And I mean, nobody. They were all in the professions. My mother, Catherine Drinker Bowen, was surely in the professions. My grandfather was the president of Lehigh and I lived in his house. I've already told you about Uncle Harry. Two other uncles were research psychologists at Harvard. My great-aunt Cecilia, who came to live with us, was a portrait painter from time to time. So that nobody ever talked about making money. And there were no business ethical decisions or discussions ever held.

Not only that, you didn't talk money. I once asked for my allowance at dinner. My stepfather took me out and he said, "Thee is familiar, no doubt, with the phrase 'filthy lucre'." This was 25 cents we're talking about. And he said, "I have always observed that money is fertilizer, useful for encouraging growth but of no other merit." He also had an independent income. I had a cousin, Cecilia, who believed in that. She once said, "Well, when I'm 21 and vote and get my income, I'll...", and my Aunt Sophie said, "Cecilia, what do you mean?" And she said, "Well, everyone has an income when they're 21, don't they?"

Well, the trouble with my life was that everybody died in the wrong order and I didn't get any of the dough. So I had to go to work. And in one of my earlier assignments, I had my first long, careful conversation

with a businessman, when I was about 32. I was writing a book for Time, Incorporated, and it was on the metamorphosis of that coal/steel/rails empire in the Mid-Atlantic States into service and education.

The first guy I talked to was a Quaker businessman named Stewart Rauch, whom you may have heard of. He was President of the Philadelphia Savings Fund Society. And this was the middle of the renaissance in Philadelphia. And P.S.F.S. was writing substandard mortgages to encourage the redevelopment of slum areas. We're talking about four and a quarter, three and three-quarter percent mortgages.

I said, "Mr. Rauch, why are you doing this? He said, "We're doing it initially and primarily because it's the right thing. And in the long run we think it's going to be good business." I've never forgotten that. And that's a long way from the Morton Thiokol decision on the launch, isn't it.

But I'm not going to get too far into these judgments of business ethics, because I don't know as much about it as the rest of the people at this panel. And at this point in my life, no corporate leadership anywhere that I work is going to change what I do and what I think except about them.

Now, that's a brave thing to say, but I'm 60, so I guess I can afford to be a little braver than I might have been when I was younger. But I guess sometimes then I felt the same way. So I'm going to talk a little bit about the role of ethics in journalism, particularly in a large corporation that has the power of Time Magazine.

In journalism, it's very important for us to try to remember that we have a pretty good section of a couple of Constitutional Amendments all to ourselves: The First Amendment, in our freedom to say what we want, and in the Fourth Amendment, to protect our sources. And that saddles you with a profound ethical responsibility.

Now, some of my critics (and I assure you that this is entirely unjust) regard me as opinionated and arrogant. I think you can tell by the way I talk that this is totally unfair. But there are people I really don't like. Some of them in high places. (I won't single out the Secretary of Education.) When you really don't like somebody and you've got to write a story about him, it is hard. Because even though he's got what he chooses to call a bully pulpit, you've got 20 million readers. And he's stark naked in front of those 20 million readers. Even if he can get up and say, "I am not either," he's behind already.

Part of my continuing education began when I went out of management two and a half years ago and "went straight" as a writer. Up to then I had been in a position to influence decisions involving many tens of millions of dollars, in which you talk things over *in camera*, make up

your mind, go out and make the announcement, and then, wait for the shells to fall. As a manager fairness was not the primary issue. So it has been very instructive to me to see how meticulous and unrelenting *Time* has been in making sure that Bowen balances his stories. Because when I kind of loosen up and want to let fly at somebody, I've had to learn to throttle back a little, to be fair to that person. Because that person is just standing there. And I'm protected by the First and the Fourth and a battery of lawyers. And it just isn't fair to unload like that. Now, I cannot say that I've always been fair. I wish I could. I sure try. And there are a lot of people around who remind me to keep trying.

Our ethics, as journalists, are kind of tricky and a little sophisticated. But they boil down to those same two designer colors of black and white. We have the more subtle problem of sources, quotes, protection of sources, and being decent and honorable to the people that we interview.

When you talk to people you can get them going. They will get into almost a stream of consciousness dialogue, and there are all kinds of things you can do. You'll be leading a person towards a really explosive thing that you want from him; you put your pencil down, and you lean back, and you ask him that explosive question, and he gives you the answer. And you pause a minute, and you say, "Gee, I missed something a minute ago. How much did you say you weighed when you were born?" Okay? Now, you're being a little misleading. If you come on as a member of the press and that person does not say, "The following is off the record," that person is *on* the record. From the beginning. So if a reporter ever calls you, you're on the record. And that's fair, unless you say, "Don't print that." The minute you say, "Don't print that," the reporter is honor-bound not to use it.

Those rules are part of our ethics. If I'm talking to you and I lean back and you say something, that's your problem. If you say, "I'm going to tell you something and you can't use it," then it's still not my problem because I can't use it. Occasionally we will find that the thing that has been said is so good and so central that we will go back to the person and say, "Hey, listen. Here is the story. We can't give you the whole thing, but here is the context. We would like to use what you said. May we?" And if the answer is no, the answer is no. And we do abide by that.

You also have a more subtle obligation. And that is not to misuse or misplace a quote. I'm not talking about this phony baloney business of, you know, "Mr. Bowen has quoted me out of context," which Ed Meese tried when I let him have it about the Constitution last summer. I'm talking about when an honest person speaks to you honestly and

openly and is not trying to manipulate you. And they say something that is absolutely perfect for a point you're trying to make, but it's a half a click off the subject as that person was addressing it.

Well, what you then do is you put it in the story and you're honor-bound to play it back to the person and say, "Here's what you said. 'I can't stand things that are black and white.'" And you use it and they say, "But Mr. Bowen, I wasn't talking about zebras." And we say, "I know you weren't, but it works." And they say, "Well, yeah, I think that about zebras too. Okay." Or they say, "No way." And you can't use it. So these things do become black and white. I do not believe in situation ethics. At all.

There are other problems that we run into. Writers don't make any money. So when you learn something about a good company, it is very tempting. You learn that Skyrocket Uranium is just suddenly probably going to do really well. And you kind of think so. But if you're a reporter you have lousy business judgment. So you call your broker and you say, "Nick, what do you think of Skyrocket Uranium?" And he gives you a quick report on it. If it looks solid, you take a deep breath and you march into the business editor and you say, "Did you know about Skyrocket Uranium?" And if he said, "Yeah, we're doing the story," then you put your hands in your pockets and you never call your broker back and you can't touch it. Until the magazine has been out on the street a long time, and you better not touch it then. Because who's to know just when you bought it. This isn't virtue. You've got to be clean. Because if you do anything else, you're not a reporter, you're not a journalist, you're a promoter and you're just a dog in my opinion.

Another thing you run into is gifts from subjects. There is a tycoon that I covered once, fascinating guy, and we talked a while. And he said, "Well, now, Ezra, you were talking about your car. Why don't we do something about this?" And this man owned the National Championship racing teams, and NASCAR and the American Automobile Association. He said, "Why don't we just get you that Plymouth, but we'll have an imperial suspension, Indianapolis brakes, I'll have my men put in roll bars." Now, this is when I was making $11,000 a year, and this was a $40,000 car.

I said, "Gee, that's really neat, but I don't think I can do it." And he said, "Well, you know, we're going public in about two months. And the public price will be ten, the employee price will be eight, and I think we could find ten thousand shares for you." Well, after they went public it went to 53, when I was sitting there still making my $11,000 without any piece of this. He then offers you a job, and you've got to say no. And he then puts a private detective on you to follow you around 'cause

he's convinced you're an industrial spy for the competition.

All of this is kind of surprising and disheartening, but I do not present myself as an enormously ethical journalist. I've found these standards to apply with every journalist I've ever worked with. I've worked at *Newsweek*, I've worked at *Time*. I've run into a few guys on local papers where you do nice stories on the local hotel and they take care of your bills, but you don't do that in the major leagues, and I don't think you should do it in the minor leagues either.

Those ethics are not really very difficult. I know a guy who's the Executive Editor of *Sports Illustrated* who routinely sent back calendars with nasty notes. You know, if some company sends you a calendar to keep your dates, he would sent it back and say, "I will not accept this." I said, "Jerry, come on." He said, "Nope. Nothin'."

Now, because of that Constitutional protection, I think that the obligation of honor is double. I completely revere that document. Whenever I give a speech anywhere, if it's on naval architecture, I let everybody know you've got to get the five-minute commercial on the Constitution. This'll be the twenty-second commercial 'cause we're going into our two-minute drill now. I think we are blessed above all people in having the ethics of Locke and Calvin and Hume and others condensed for us by John Adams, James Madison and the rest, into the Constitution.

My own training came at home and in elementary and secondary school. It was very severe, it was unwavering and unremitting. I never got any ethical training at Amherst. Although I was a philosophy minor, at Amherst we never talked about ethics. But I think that was a value judgment on their part, really a kind of presumption that, after all, Mr. Bowen, if you're at Amherst, you're automatically ethical.

I think that my own ethical approach to just about everything I tackle now is a combination of the ethics that was just pounded into my head when I was little, and, I've got to confess, a little attempt now and then at intellectualizing through the Constitution. I'm doing a look at the Federalist Papers and Madison's notes now, and I've just done a piece on Roger Sherman's Connecticut compromise in the June '87 *The Smithsonian*, and I've done a couple of things for *Time*.

So it's a combination of down-home religious and ethical training from ethical people, with the ethical boundaries that are set down for all of us in the Constitution. And to me, it is not possible to misinterpret them unless you're trying. Now, if you're the President of the United States, and it says, "He shall take care that the laws be faithfully executed," is that a misunderstandable phrase? Doesn't say anything about Oliver North in there.

And so I think it is very easy for all of us to behave in an ethical fashion, as long as we are ready to lose something. Like our jobs, some of our so-called friends, and, as some of our younger people have, our lives. Because that's the only way you can keep yourself and keep the faith.

Gary Edwards: The nature of the organization that I run, the Ethics Resource Center, causes people to wonder that I can ever leave Washington. There's plenty of work to be done there. I bring with me a story from Washington, but not from the present crowd. From the days of Lyndon Johnson. It's about someone you know not as a moral philosopher and not as a business executive, but as a popular novelist: Peter Benchley.

As I understand it, Peter Benchley wasn't always a successful novelist, but was, once upon a time, the speechwriter for LBJ. Some people think that explains some things about the Johnson administration. I don't think it explains too much, because Benchley didn't get the chance to write the speeches he wanted to write. The big policy jobs were done elsewhere. He got to write the speeches for the rose garden. When the Rotary came into town, when the Girls' Club came into town, he would write out on the four-by-six cards for LBJ what he was going to say. And Johnson, as was his habit, would go whizzing through the White House, scoop up his cards, step out into the rose garden, and look down to see what he had to say.

This is the last speech that Mr. Benchley wrote for LBJ. It went like this: "Some say you can't take care of the poor, build a great society and balance the budget. But I'm going to tell you how. Some say you can't advance the cause of civil rights without violence in the streets. But I'm going to tell you how." Johnson's getting pretty interested in his own speech right about now. "Some say you can't win a guerrilla war in Southeast Asia with a public divided about its morality. But I'm going to tell you how. And now, Lyndon, you're on your own."

In business, that's what we call career-limiting behavior. For too many years, business executives and business educators and our business schools and our undergraduate colleges have said, in effect, to current and future employees and managers, "If you run across an ethics issue, a tough dilemma on the job, you're on your own." Now, they didn't say it explicitly and they didn't say it with bad intention. They said it with the best of intentions. They expected that ordinary people, managers and employees, when they encountered tough ethics issues on the job, had the internal resources in terms of character, familiarity with corporate policy and the law, would know the right thing to do. They

would reach inside themselves and find that being a good person was good enough. Increasingly, that is not the case in business today.

To be sure, there have been attempts, reaching back to the days of the industrial giants, to manage the ethics of organizations. Early American leaders promulgated corporate credos, statements of values and obligation. Johnson & Johnson and the J.C Penney idea come to mind immediately. Today, three out of four of the Fortune Five Hundred companies have gone beyond that to articulate written standards of ethical business conduct: codes of ethics. Credos have an important and, I think, too often unrealized role here. They have a potential for building consensus, pride, and fostering identification with the company, its business philosophy and its values. And codes of ethics have a significant function in articulating a company's policy with respect to proper business conduct, and in providing the principles and the guidelines that are meant to inform the discretionary decision-making that goes on all over the organization.

The problem is that credos on the wall become invisible. And codes of ethics go into the bottom drawer and are forgotten. And meanwhile, up and down large organizations, public as well as private, on a daily basis people are making real decisions under real pressure, decisions that affect not only their personal conduct but the liability of their organizations. And they are finding that sometimes being a good person is not enough.

Being a good person may not be enough to make clear to you what the right course of action is when you have to close a facility and furlough 800 people. What do you owe those people for the years that they've given to the organization? When do you tell them the bad news? How long do you withhold it on behalf of the legitimate interests of other concerned parties, like the shareholders?

Being a good person may not be enough to make clear to you under what conditions you can accept and utilize proprietary information that belongs to a competitor. You wouldn't go out and steal it. But if you found it next to you on an airplane seat, if you picked it up in a restaurant after lunch where someone left it behind, if you got it from a good consultant, if you're a defense contractor and the program officer for the Navy hands it to you and says, "We want you to win," can you use that competitive information? Is being a good person enough to inform your judgment on those issues?

Being a good person may not be enough to make clear to you what you're to do when the boss says to you, "Finish the contract on time and at the price we bid," when you know and the boss knows that you bought into that contract, that you never could have done it for the price bid

and in the time frame allowed. But external circumstances have changed. Cost overruns aren't acceptable. And now it's your job to get it done.

Being a good person may not be enough to make it clear to you what you're to do when the boss says, "Ship those widgets by the end of the month. We need to get the bills out. We'll follow up on site if they don't work, and do a little servicing." Being a good person may not be enough to make it clear to you what information is inside information and what is just plain good market intelligence.

Most of us, most of the time, rely on our own good character and the good character of people that we work with and that work for us to see us through unexpected dilemmas and unanticipated pressures. And most of the time, our good character and theirs is good enough. Sometimes it's not, and increasingly companies are trying to make provisions for those occasions.

I'd like to tell you with some specificity what some companies are doing. I'm not sure that time will permit that. But I'll tell you a little bit in terms of trends. First, to put into perspective what I have to say, I want to tell you a couple of things about the organization that I represent. The Ethics Resource Center is a non-profit educational organization. As a non-profit, we are mission-driven. And the mission is to increase public trust and public confidence in the institutions of a free society. That means in business, to be sure, the dominant institution in our culture. But it also means in government, in the media, the professions, and our educational institutions. I'm pleased to say that the Center is active on all of those fronts.

We are not a policy center. We don't issue white papers on the ethics of abortion, euthanasia, marketing infant formula in developing countries, or doing business in South Africa. They are all important policy issues, but we don't see that as our role. We are a resource center. And the resources are shaped to meet institutional needs, because most of us spend most of our lives in one institution or another. Those resources are principally in three areas. In the first, needs assessment, we work with senior management in corporations, with the heads of government agencies and municipal governments, and with educational organizations, to articulate underlying values that guide decision-making and conduct, and to identify areas of vulnerability where things might go wrong. These are the areas where the values may not be clear, or where the incentives for improper conduct may be great.

Having assisted in that needs assessment, we work with organizations in articulating statements of values and codes of conduct, and in providing for their implementation and communication. Increasingly in

the last couple of years we've been involved on-site, leading workshops for top management in Fortune Five Hundred companies and government agencies. Those workshops are case study-driven, and are based on the issues that are being faced by the people in those organizations today.

We have led university-based workshops on the teaching of business and professional ethics. A couple of years ago we did one for the State University system in North Carolina. This fall we'll have two conferences that will be co-sponsored with the Universities of Nebraska and South Carolina on business ethics issues. We've developed audio-visual materials to assist that process and to assist the teaching of business ethics in universities, on the undergraduate and graduate levels. We've prepared 18 dramatizations of business ethics issues, including conflicts of interest, diversion of business opportunities for personal gain, gifts and gratuities, nepotism, environmental responsibility, and government contracting. Our first program, A Matter of Judgment, which was about conflicts of interest, received the unsolicited endorsement of the American Corporate Council Association, and has been circulated among the 5,000 corporate attorneys who are members of that organization. Matter of Judgment programs are in use today in American business and in graduate schools of business and undergraduate colleges, where about a third of them have been included in courses in business ethics.

In addition, the Center has begun to work the issues from the other end of the spectrum. In the last couple of years we've worked with the Boy Scouts of America on a program called Youth's Frontier, Making Ethical Decisions. At the request of Junior Achievement we've written six case studies for inclusion in the economic education textbook that's used with high school students. And this summer, with the support of the General Electric Foundation and others, the Center will begin a series of dramatizations for youths in the fifth and sixth grades that will dramatize basic character and conduct issues for children. We're not talking about sex education or religious instruction. We're talking about honesty, individual responsibility, loyalty, and personal integrity.

For several years, our focus has been primarily on working with business. The need was great in business, and we wanted the Center not to be funded by the Federal Government. We wanted not to have to sound different every four years for a new crew coming into town. We figured that if we could do something of value for business, something of value that they would then plug in to the management of their own companies, they would recognize the Center and provide support for it, enabling us to do pro bono work for government and for volunteer

groups. And that's basically how we've moved forward.

What have we learned in the eight years that the Ethics Resource Center has been working with American business? I want to make just one point here. We've learned a great deal more than I could share with you if I were here all day (and if you would put up with that). After running dozens of workshops, including 50 in the last year in American corporations with senior executives and managers, training trainers to run programs for over 100,000 middle managers and employees, one thing has emerged that I think you may find surprising. I certainly did.

There was a paradigm of unethical conduct in American business, and I think, in public organizations as well. And it's not the paradigm you might expect. The paradigm of unethical conduct in large organizations today is not the employee with his or her hand in the till. It's not the embezzler. It's not the person who is extorting kickbacks from suppliers and subcontractors. The paradigm of unethical behavior in large organizations involves good people. Your neighbors. Yourselves, perhaps. People who are down in the guts of the organization, who come to believe that in order to keep their job and to do their job, they have to do what it takes. They're people who are stretched by management, by objectives that are beyond their ability to perform. They may work for years without feeling that pressure. But they wake up one day with objectives that perhaps they didn't set, or maybe they did and the market turned against them and they can't get there. And they've got two kids in college and a mortgage and a career path. And they look around themselves and the organization for signals about what to do. And the organization gives signals that it doesn't intend to give. They look around, and what they see is that people who meet quarterly profit and performance objectives go up the ladder. And people who don't get plateaued or they're gone.

If they've got a tough case, they look around. And they remember Joe and Pete and Sally, and they remember when they had to cut corners to get there too. And look at them now. The system didn't pick it up. The system isn't sensitive to how you reach your objectives, but *whether* you reach your objectives. And the unintended message is you better do what it takes if you want to be here tomorrow. So they justify all kinds of misconduct. Violations of their own personal values and conscience, violation of corporate policies, and violations of the law, telling themselves, "That's the way it is. That's what's expected. And that's what you have to do." And they wind up ashamed of what they've done, facing two basic paths.

If they're unable to live with what they've done, their own productivity will go down, their own performance will go down, and they'll wind

up dead-ended anyway in kind of an ironic resolution.

Or they'll compartmentalize their business and professional ethics from their personal ethics, and they'll say, "I'm not that kind of person. I don't go home and kick the dog. I'm a good person. But that's the way it is in business." Good people, compromised by bad management. Bad management that can be improved. And ethics, the ethics of management, can be taught.

Gregory Dees: One of the difficulties in coming at the end of such a distinguished panel is that much that is useful and insightful has already been said in one way or another. And in many ways I feel I can simply say, "Hear hear," and pass on to questions and answers. But I'm not going to let you off that easy. I will take the time that's been allotted, and try to emphasize the points that I do agree with, and also point up some areas where I think there's disagreement so that maybe we can get a dialogue going.

The question that I've decided to focus on, and the one that's closest to my heart, is the question: Should graduate schools of management and corporations engage in ethics education? And, if so, will it make any difference to how people behave?

There are really four points that I'd like to make. The first is to agree with what Gary just ended his speech on; that there are things that can be done and that ethics education can be extremely useful for adults, including managers and potential managers.

The second point I want to make, however, is that this kind of education is in an extremely primitive state. I'm not as sanguine, I think, as Dr. Ciulla, about the value of reflection, about the value of just providing some space and time to think about these things. I'm not as convinced that that's going to linger, that that's going to stay with people, that that's going to make a difference in how they behave once they get into positions of authority and responsibility. I'm deeply concerned about the pressures that get put on people. Good people, people who've had a chance to reflect, still cave in to the temptations and the pressures to engage in unethical behavior.

The third point I want to make is that even though we're at a very primitive state in terms of how to teach ethics to managers, it's crucial that we try, it's crucial that we push ahead in this area. And that we try to refine it and strive for improvement. I think that we shouldn't rest easy with the methods that are currently being used to teach it. I think that we should feel uncomfortable. We should constantly push ahead. And I'll talk a little bit about that.

The fourth and final point that I want to make, and defend in my

talk, is that even if we are successful, even if we reach what I think is probably the greatest potential in the classroom, in instructing managers and potential managers in ethics, that's not going to be enough. In this regard, I agree with Mr. Manoff and with other comments made here today, that there are system-wide issues, there are management issues, there are organization issues that must be addressed. If they aren't addressed they can wipe away in a short amount of time all of the good that's done in a training session or in an educational setting.

Let me move on to the first point. The point was simply that it is possible to do some good. I had the same negative reaction about Mr. Rohatyn's article last week that Joanne voiced earlier. It seemed to put forward the widely held opinion that ethics can't be taught after the age of 10 or 12 years old. And to my mind, that's a very naive and even a dangerous view.

It's naive because I think it underestimates human ability to learn, to adapt, and to grow at different stages of development. And we've heard evidence from Dr. Chandler in his opening remarks that this growth occurs in undergraduate education. I believe it happens in graduate education, I believe it happens on the job in corporate settings, and I believe it can happen through education in adults as well.

It's naive to assume that people fall into one extreme camp or the other. It's not as clean as that. Some of us have the fortune of the upbringing that Mr. Bowen had, where everything comes out black and white, where our ethics are absolutely clear, and where they're given a high priority.

But many of us have upbringings that aren't so clear and that aren't so strict. That don't lead us to believing everything is black and white, or at least don't give us the light by which to see it. And unfortunately, I think it's probably 90 percent of the population that's in that fuzzy area, an area in which you're taught a mixture of things as you grow up.

One lesson I remember learning, which I think is a dangerous lesson, was "When in Rome, do what the Romans do." And I remember my father giving me this advice after I bought an ice cream cone when my friends didn't have the money to buy ice cream cones. Now, in that context, it may have made sense. However, in other contexts, "When in Rome" doesn't make much sense. When the Romans are engaging in behavior that is corrupt, that is not supportable, that is unethical, it doesn't make sense to "do what the Romans do." There are a lot of other lessons that are also dangerous and thwart ethical behavior as adults. Many of us learn through peer pressure, or through parental example. And I think there are things that must be done as adults to try

to correct these lessons and to move us on to the right course.

The view of Mr. Rohatyn is also naive because it underestimates the complexity of ethical problems. And I think Gary made clear how difficult it is when involved in given situations to know exactly the right thing to do. When you're closing a plant, for example, the world may be black and white, but it's damned hard to see in some cases exactly what the black and white courses are. Maybe you can find them with some reflection. I think it's very hard to say. I also think that this view is naive because it assumes that having the right values is sufficient for ethical behavior in a corporation.

The organizational pressures are tremendous; the tendency to conformity is tremendous; there have been numerous psychological studies to indicate that people will cave in on personal values when under, in some cases, the slightest pressure. We only need to think back to the Milgrim studies at Yale, in the late '60s and early '70s, the studies of authority and obedience to authority, in which he asked his subjects to administer an electric shock to another so-called "subject" in an experiment, even when that other subject was seemingly in great pain and agony with the shock. A surprising number of people went ahead and administered that shock. It was a set-up, of course; it was a set-up to see how many people would obey authority. Many did, and, I think, we have to be very cautious about that, and not assume that being good is enough.

There are a number of other ways in which I think this view is naive, but, more importantly, I think, it's dangerous. And I think it's dangerous because it undermines serious efforts to address what is a real problem in this country. It gives people who don't want to address it an excuse for inaction. It gives university administrators an excuse to say, "Why do we need an ethics course? After all, there's a widely held opinion that you can't teach ethics to adults; so, let's leave it out of the curriculum."

I think that this is a dangerous statement. I think that if we leave ethics out of the curriculum, or we leave it simply up to the examples of other folks in the curriculum to emphasize ethics, that we are certainly at risk, and I think we need to push on in this area.

What can you do in an ethics course for adults, either in a corporation or in a management school? What can you do that is useful? What adds value? One of the things that you certainly do is expose students to the complexities of real-world problems that they are going to face on the job. You show them how difficult it is to make the decisions; you offer them guidance in how they might approach those decisions to find solutions that are both ethical and smart from a business

point of view; and you help them refine and make their values more sophisticated.

You also help them develop communications skills. And this is something that seems absolutely important to me, and is not widely discussed. It is extremely difficult to talk about ethical issues in a job setting. I don't know how many of you have tried it; how many of you have actually raised a question to your boss, saying, "I think this is wrong; we shouldn't be doing it." It is infrequent. The reports I have from students who have done it come back, typically, with the fact that the boss reacts highly defensively, and the resolution is that the students feel uncomfortable, later. This issue is never really addressed head-on as an ethical issue. It's extremely hard to know how to communicate these things effectively, and I think, in the classroom, you can help people refine that ability.

You can heighten sensitivities, though I worry that those will fade quickly after people leave the class; I don't have any evidence that those sensitivities persist. And you can provide some insight into the management tools and techniques that can be used to create a more humane and ethical environment in the organizations in which they will work. All of these things, I think, are important, and we must continue to strive to do them.

My second point, however, was that we are at a very primitive state in doing this. Much of what we do, now, I fear, is ineffective. It's fun, it's lively conversation; we talk about take-overs and the ethics of take-overs; it makes good cocktail party conversation. People can leave the course and have something clever to say. Yet the question persists: will they behave differently as the result of that kind of dialogue three months from now, when they face that situation as an investment broker? Are they going to say to that client: "I think that's unethical; we had a discussion when I was in graduate school"? I worry. I'm not sure that that's happening. And I think we need to strengthen what we are doing. I'm skeptical of the value of much philosophical analysis in teaching useful ethics to people who are entering the corporate field. It's useful, perhaps, in making grand policy, where there's time to think these things through, and to write a white paper on the ethics of whatever it is you're proposing. But, in many cases, the decision is immediate. The pressures are there. The decision has to be made now, and philosophical analysis is rarely, if ever, useful.

In fact, I was embarrassed the first time I taught an ethics course; I went in to teach it much like it's taught at many other schools, a lot of applied philosophy. I gave a course preview to students; something we do the semester before to explain what is going to go on in the course.

And I said, "We're going to cover these theories," and I outlined the theories, "And we're to look at these kinds of problems and cases; we're going to look at bribery, and we're going to look at infant formula problems; we're going to look at a whole range of things."

And a student asked me, "Can you tell me a case, in your working experience, in which you used these theories to make an ethical decision?" I was frankly embarrassed. I was flabbergasted. I thought and thought, and I had never really used the theories to make the decision. I might have used them after the decision to explain why I made it, or to try to come to some understanding, but I hadn't really used it to make the decision. So, I'm skeptical of throwing a lot of philosophy and a lot of theology at these problems. I think that philosophy has something to offer, but I'm deeply concerned that it doesn't have to offer what's really needed in this situation. I think we need to push forward and refine that, and not just simply hire--I'm cutting my own throat in certain ways--philosophers to come to these schools to teach ethics.

I think what's needed is a clear understanding of what is wrong. Why do people engage in this behavior? Is it because they lack the philosophical theories? Is it because they lacked the opportunity to ever reflect? Is it because they lack any deep insights into the workings of management? We need to understand what it is. And, I think, once we understand what it is that they're lacking, we can begin to address it with a sense of our own ability to communicate; and the courage to address the wide range of things that I think are important and must be included.

I won't bother to elaborate on the point that it's crucial that we charge ahead; if you bothered to come here, you're probably deeply concerned about this, so I don't need to emphasize that point. We have to keep trying.

The final point is that regardless of what we do in an educational setting, once people are out, working in a live environment where there are pressures, incentive and compensation systems, and where there are corporate cultures at work, they are subject to a number of influences that can easily erode whatever is done in the classroom. And I think that it's clear that more support is needed. This issue can't be addressed simply by putting it on the backs of the management schools, or by introducing ethics programs or ethics codes into corporate settings.

It has to be addressed broadly as a social issue, and on the organizational level as a management issue; we have to think individually about how, in our own behavior, we can set an example; we have to think about how the incentive compensation systems and other systems that influence people may be misdirecting them, may be encouraging

unethical behavior. We have to change and temper those systems. We have to think about how corporate culture is working on individuals who enter it. We have to get a handle on that, to manage it. As a society, we have to think about how the culture of this country is affecting the way that we educate people ethically, and I think we have to address that as a broad problem.

Participants

Welcome and Introductory Comments–**Frank Stanton**, President Emeritus, CBS Inc. and Chairman, Corporate Council on the Liberal Arts

Moderator–**John Chandler**, President, Association of American Colleges; President, Williams College, 1973-1985; President, Hamilton College, 1968-1973

PANEL

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